



Testimony before the  
**Senate Ways and Means Committee**  
on  
**SB505 – School finance; general state aid adjustment for unencumbered cash balances**

by  
**Dan Brungardt – Superintendent of Schools, Bonner Springs USD 204**

**Today I'm speaking on behalf of the Bonner Unified School District 204 and the Kansas School Superintendents' Associations**

**March 11, 2016**

Mr. Chairman, Members of the Committee:  
Thank you for the opportunity to testify. We stand opposed to SB505

Senate Bill 505 states that if a district has an excess of 15% of operating expenditures in cash reserves, this amount will be divided by five years and the district's general state aid would be reduced by the resulting quotient (one fifth of the excess amount) beginning next year and for a total of five years. Additionally, the balance and excess is based on 2014-15 (last year's ending balances).

This bill in and by itself would devastate Unified School District 204 for the following reasons:

- This bill appears to refer to total cash balances in all funds, unlike the original A&M efficiency report that did not include bond and interest, capital outlay, federal gifts and grants funds. It would also therefore include other funds not associated with general operations, such as insurance reserves, special education cooperative funds and funds raised by local mill levies
- By including all cash balances, districts would be penalized for having money in bond and interest funds (which must be on hand for construction costs or bond payments), and savings for capital outlay projects. Districts would be further penalized by losing state aid for general operating funds that cannot be replaced by balances raised from dedicated mill levies approved by voters or restricted revenues (such as federal aid, food service and student fees) that cannot be used for general operations.
- This bill does not consider cash flow needs. Unlike the full A&M recommendation, SB 505 does not base the calculation of "excess" revenues on the lowest percentage of expenditures during the year, which means districts would be penalized for cash flow requirements. (Similarly, the state general fund requires borrowing from other state funds, called "certificates of indebtedness," to balance revenues and expenditures during the year.)

How would this bill affect Unified School District 204?

Last year USD 204 carried over cash balances of \$14,709, 439.00. Below is a description of the funds and why they were carried over:

**Bond and Interest:** Over one fifth of the funds carried over were in Bond and Interest (\$5,037,960.00). USD 204 carries cash in this fund because money is raised in the previous school year to make payments in the current year. The other issue is that these funds can only be used to make Bond and Interest Payments, there is no option to move funds from this account to any other account.

**Capital Outlay:** Last year the Bonner Springs/Edwardsville School District carried over \$3,763,638.00 in Capital Outlay Funds. The balance is based on cash and not encumbrances. USD 204 has \$1,236,213.00 worth of encumbrances, which leaves an actual balance of cash available at \$2,527,425.00. USD 204 has a strategic plan that covers all school vehicles (including buses), HVAC units, roofs and technology for the next 10-20 years depending upon the specific item. Money is saved in Capital Outlay to fund the plans and make modifications/upgrades to the district school buildings as needed. It is critical that the district have the ability to build funds in Capital Outlay without being penalized for maintaining the quality of its facilities.

**Special Education:** Unified School District 204 carried a cash balance over of \$1,719,878. The reason for this balance is three fold. First, special education costs continue to grow each year and it is difficult to define a specific budget, as it is impossible to know which students may be moving to your school district and what their specific needs will be. This year we had two students move into USD 204 that needed special day schools.

The second reason that USD 204 carries balances in special education is because the district does not receive funding for special education teacher salaries until October. This means that the district uses the cash balances in this fund to cover those salaries until the payment is received.

Finally, the third issue deals with transportation. USD 204 does not receive reimbursement for Special Education transportation until May/June. All of the funds used to pay the special education salaries of bus drivers, bus aids, fuel, and leasing cost of the actual bus are paid out of this fund. Each year the district needs to carry enough cash over to cover these costs. It is critical that the district has the ability to carry funds over in special education without being penalized.

Unified School District 204 carried over \$578,951.00 in food service. The revenue stream for these funds comes directly from the federal government and student lunch fees. These funds cannot be used for anything else but food service. The carryover funds in this account balance the differentiating cost of food from year to year, and the cost of employees. If there would be a shortage and these funds were not accessible, the district would need to pull money from the general fund to cover the gap. Once again, it is critical for the district not to be penalized for carryover funds in food service.

The Bonner Springs/Edwardsville School District does carry over \$1,250,000.00 in contingency reserve funds. These are actually in the process of being drawn down to cover current expenses. These funds are to be used as “rainy day funds” **and it is currently raining in USD 204**. Even though the block grant does not cut any funds the 2014-15 school year, it does not take into consideration that Unified School District 204 has increased operating cost due to continued growth in student population. The district did benefit from the extraordinary needs fund, but not enough to cover costs of the teachers and additional staff to meet the needs of the students.

The district also carried \$548,024.00 over in the Supplemental General Fund. The money in this account represents additional taxes that were collected by Wyandotte County but could not be used in the 2014-15 school year because they were in excess of the published budget. These funds are used to build next year’s budget and are counted as revenue for the Supplemental General Fund for the following year. This is why at times you will see the mill levy for Supplemental General fluctuate.

The above mentioned funds total:

Special Education	\$ 1,719,878.00
Bond & Interest	\$ 5,037,960.00
Food Service	\$ 578,951.00
Capital Outlay	\$ 3,763,638.00
Contingency Reserver	\$ 1,250,000.00
Supplemental General Fund	\$ 548,024.00
	\$ 12,898,451.00

The amount that is left after that is \$1,810,988.00. These funds are in special accounts and are used to balance program needs from year to year; specifically items like summer school, drivers education training, professional development, Parent as Teachers, K-4 at risk, and Vocational Training.

There is a fund set aside where the district specifically saves money for textbook adoptions. Currently, a textbook adoption can run up \$400,000.00 and is an expense that is difficult to do without the ability to save money. There are a few other carry over funds in USD 204 including a small self-insurance payout fund and a student activities account where student funds are held from clubs and organization from year to year.

There is no spreadsheet to accompany this bill to show each school districts responsibility. But SB 505 states that it will use the “general operating expenditures of each school district for the school year 2014-15.” In the current budget document, operating expenses are defined as General and Supplemental General.

the Est. Tax Rate in the far right column, shown for comparative purposes, is subject to slight change depending on final assessed valuation.

Code 99 Line	2013-2014 Actual		2014-2015 Actual		PROPOSED BUDGET 2015-2016		
	Actual Expenditures (1)	Actual Tax Rate* (2)	Actual Expenditures (3)	Actual Tax Rate* (4)	Expenditures (5)	Amount of 2015 Tax to be Levied (6)	Est. Tax Rate* (7)
OPERATING							
General	14,987,200	20.000	15,900,286	20.000	21,605,473	3,229,659	20.000
Supplemental General (LOB)	5,083,576	20.633	5,289,100	17.908	5,426,138	2,938,300	17.135
SPECIAL REVENUE							

The operating budget does not include any special revenue funds or debt services. If the individual writing the bill meant total expenditures for the district in 2014-15, then that number would be \$39,260,384. Depending upon the author’s point of the view, the spread sheet below outlines the costs to the district.

General Operating Expenditures:	Multiplied by 15%	Total Amount of Funds the District could have carried over without penalty	Amount of funds the district carried over	2014-15 Amount of Funds Carried over minus the amount of funds that could have been carried over without a penalty	Total amount of money the district will not receive per year for the next five years
\$ 15,900,286.00	x .15	\$ 2,385,042.90	\$ 14,709,439.00	\$ 12,324,396.10	\$ 2,464,879.22
Total Operating Expenditures	Multiplied by 15%	Total Amount of Funds the District could have carried over without penalty	Amount of funds the district carried over	2014-15 Amount of Funds Carried over minus the amount of funds that could have been carried over without a penalty	Total amount of money the district will not receive per year for the next five years
\$ 39,260,384.00	x.15	\$ 5,889,057.60	\$ 14,709,439.00	\$ 8,820,381.40	\$ 1,764,076.28

It is important to note that if the district were cut by this amount of funds each year, for the next five years, USD 204 would be devastated. The amount of staff reductions that would need to occur would be paralyzing to the district. The other issue is that if the state is going to hold school districts to 15% cash carryover it would limit district's ability to make bond payments, provide funds for special education transportation and a myriad of other issues.

I would request that all carryover cash funds be left alone.

Thanks,

Dan Brungardt